

August 14, 1959

MEMORANDUM FOR THE FILE

Messrs. Samuelson and Pahl, CAAD, met with representatives of CIA at 2:30 p.m., August 13, 1959, to discuss in more detail the proposed expansion of our audit work at CIA. Representatives from CIA in this discussion were Messrs. H. Gates Lloyd, Deputy to the Deputy for Support, [REDACTED], Deputy General Counsel, [REDACTED], Deputy Comptroller, and [REDACTED] Acting Chief of Internal Audit in the absence of [REDACTED].

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The purposes and techniques of the GAO comprehensive-type audit approach were discussed and it was pointed out that in its application to CIA we would propose to review the organizational structure, the agency policies for conformity with legislative intent or other authority, and the agency practices and procedures followed in carrying out the agency policies. In particular we would want to review and determine the effectiveness of the internal review mechanisms such as internal audit, inspections, and the like, existing in the agency. The examination of actual transactions would be selective for the purpose of appraising and evaluating the application of the agency practices and procedures. We would propose that following a preliminary review of the organization and the policies and financial practices, we would undertake more detailed reviews, initially primarily in the support area. We recognized that certain limitations, by virtue of the nature of their function, in our reviews would be encountered, and we would propose to meet those as we went along and work out with the appropriate officials whatever agreement as to access we could with them.

The CIA officials stated that broadening of the audit by GAO to the extent proposed would get us into highly classified and compartmented areas in every activity. These officials concluded that the agency officials at a higher level than themselves would have to determine the extent to which they would grant access to these areas and these determinations would have to be discussed with and agreed to by the Director of CIA. For this purpose the CIA officials were going to compile a listing of the areas that are considered to be highly classified and to discuss this matter with Mr. Dulles for his decision. In this connection it was pointed out to the agency representatives that unless we could make an audit reasonable under the peculiar circumstances at CIA, we necessarily would have to report the matter to Chairman Kilday, of the Subcommittee on CIA.

There was a brief discussion on our reporting and the CIA representatives were informed that any reports which we may prepare as result of our audits at CIA would be subject to CIA's security classification.

Document 24.  
Review of this document by CIA has  
determined that  
☐ CIA has no objection to release  
☒ it contains information of CIA  
interest that must remain  
classified at TS S  
Authority: TS TS S  
Excluded from automatic downgrading and  
declassification

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In reply to a question on our handling of Congressional inquiries on our findings in our audits at CIA, the CIA representatives were informed that the inquirer would be referred to Chairman Kilday and we would be governed by whatever decision was made by him.

The meeting concluded about 4:00 o'clock with Mr. Lloyd stating that he would call us as promptly as decisions could be reached by CIA.

*15/ Eugene L. Pahl*  
Eugene L. Pahl

cc: Mr. Campbell

*Concur*

A. T. Samuelson